

TOP SECRET



25 May 1955



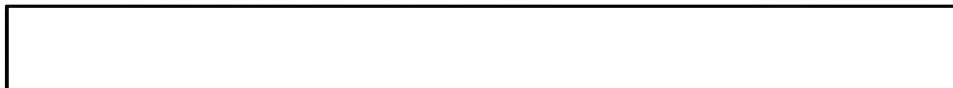
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State Dept. review completed

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SUMMARY

SOVIET UNION

1. Comment on establishment of new Soviet foreign trade agency (page 3).

FAR EAST

2. Japanese favor withdrawal of American troops (page 3).

SOUTHEAST ASIA

4. Comment on Vietnamese policy toward dissidents (page 5).
5. Chinese commander in Burma asks permission to enter Laos (page 6).

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25 May 55 CURRENT INTELLIGENCE BULLETIN Page 2

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SOVIET UNION

1. Comment on establishment of new Soviet foreign trade agency:

The USSR has recently established a new trade agency, TECHNOPROMEXPORT, responsible for planning technical aid for the construction of industrial installations and other economic enterprises abroad. According to the April issue of the Soviet publication Foreign Trade, the new agency is charged with preparatory work for such planning, including geological and aerial surveys, as well as with the planning function itself, the inspection of construction under way, and the training in the USSR of "national cadres" from the countries which receive Soviet technical assistance.

Comment: The formation of this specialized organization probably results from increased Soviet commitments over the past 18 months to provide technical aid to Communist China and North Korea and to a number of economically underdeveloped countries outside the Sino-Soviet bloc. It suggests an intensification of the Soviet technical aid program.

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FAR EAST

2. Japanese favor withdrawal of American troops:

Ambassador Allison reports that a majority of Japan's political leaders, including those most friendly to the United States, are publicly and privately advocating the withdrawal of American forces from Japan.

An official of the Ministry of Finance has stated that the Japanese economy could bear the consequent reduction in dollar income, and that the departure of American forces would strengthen the Japanese defense agencies' request for financial support. Shinsuke Kishi, influential member of the government party, also told Allison recently that a withdrawal would be the most important single action to improve US-Japanese relations.

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Comment: An independent study in 1954 of the attitudes of the important leadership groups and the public in Japan showed that a desire to feel independent and free of American "domination" was a primary factor in shaping attitudes toward the United States.

Recently, strong opposition attacks in the Diet have emphasized Japanese apprehension that atomic weapons might be stored in Japan and that the use of Japanese bases by American forces might involve Japan in future hostilities. Prime Minister Hatoyama has said he desired the eventual withdrawal of American forces, but has not indicated a desire for a quick departure.

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SOUTHEAST ASIA

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4. Comment on Vietnamese policy toward dissidents:

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The Vietnamese government is moving several battalions of troops--7,000 men according to the press--into the area of western Cochinchina where the forces of dissident Hoa Hao generals Tran Van Soai and Ba Cut have been active. Diem probably hopes that such a show of force will intimidate the Hoa Hao into accepting the government's terms for the integration of the sect forces into the national army.

Diem is probably correct in his assertion that the dissidents would have little staying power in a showdown with the government. There have been signs during the past week of Hoa Hao amenability to negotiation. Diem could be expected to have little patience, however, with negotiations unless they produce early results.

Diem's fears concerning the Hoa Hao derive largely from reports that French officials are abetting the Hoa Hao and other dissidents. He told the American chargé that General Hinh, now reported at Hoa Hao headquarters, is writing letters to army officers in an attempt to subvert them. Diem was contemptuous of Ely's purported opposition to Hinh's activities and threatened, if Ely did not publicly denounce Hinh, to publish Hinh's subversive letters, presumably with the implication that the French are involved.

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5. Chinese commander in Burma asks permission to enter Laos:

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[Redacted]

The commander of the Chinese Nationalist irregulars in Burma has sought permission to visit Muong Sing, a Laotian town near the Burmese border, according to Laos' defense minister. The Laotian official said he would refuse the request, but feared the guerrilla leader would come anyway. Reflecting the impression in Laos that the United States controls the guerrillas, he asked the American minister whether the commander could be dissuaded, "through Saigon."

The defense minister said he was most anxious to keep the guerrillas out of Laos because of the possible reaction of Communist China.

Comment: Both Thai and Burmese observers believe the 3,000 to 5,000 Chinese now under attack by the Burmese army may retreat into Laos. Neither the Burmese nor the Laotian army is capable of preventing their entry into Laos.

The Viet Minh alleged in March that American-directed Chinese Nationalist guerrillas were operating in areas of Laos occupied by the Pathet Lao.